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IRAN-IRAQ: Fighting Picks Up

(Information as of 2300 EDT)

//Clashes have resumed northeast of Al Basrah, but there has been no change in the frontlines.

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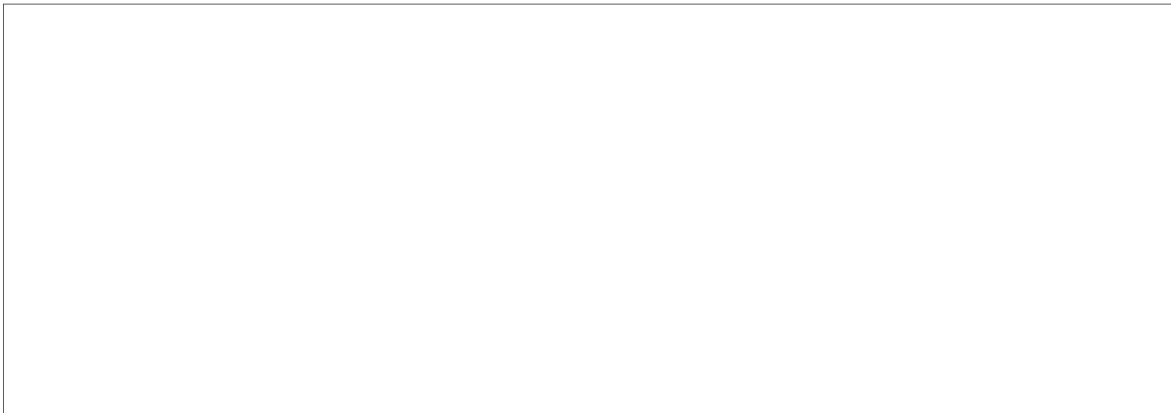
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Diplomatic Activity

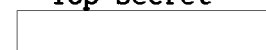
Iranian Prime Minister Musavi, who yesterday departed Algeria for Libya, acknowledged Algiers' efforts to mediate the conflict. He said Iran's conditions for ending the war include withdrawal of Iraqi troops from Iranian territory, payment of reparations, and condemnation of Iraq as the aggressor. 

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Comment: Musavi's list of demands did not contain a call for the removal of Iraqi President Saddam Hussein. Musavi is the second high-level Iranian official to leave out that demand since the invasion began. This omission probably reflects the fact that Musavi was speaking to an Arab audience and does not represent a real change in Iran's conditions. 

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ISRAEL-LEBANON: Continuing Pressure

(Information as of 2300 EDT)

//Israeli forces yesterday continued their pressure on Beirut by conducting mock airstrikes in West Beirut and by moving up additional artillery. President Brezhnev repeated Soviet opposition to deployment of US forces in Lebanon.

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There are indications the Israelis are reinforcing their positions around Beirut.

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if a showdown occurs over cease-fire violations, the Israelis are not likely to be content with a limited strike. They probably would try to secure the Dayr Al Baydar Pass and possibly Zahlah. Depending on the course of events, they might even attempt to push the Syrians and Palestinians out of Lebanon completely.

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Israel has stated repeatedly it ultimately wants all Syrian forces out of Lebanon. Some senior Israeli officers believe this objective will not be accomplished through negotiations.

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Brezhnev Statement

Soviet President Brezhnev renewed his warning against a deployment of US forces to Lebanon in a statement published in *Pravda* today. Ostensibly answering questions put to him by the newspaper, Brezhnev stated the USSR is not against a disengagement of opposing forces in Beirut as a first step, but that UN forces in southern Lebanon--not American troops--should oversee this.

The Soviet leader claimed that the USSR is giving "aid and support" to those Arabs opposing Israel and the Soviet "leadership" is watching the crisis closely. He also lamented the lack of Arab unity and repeated the longstanding Soviet proposal for an international conference on the Arab-Israeli dispute.

Comment: By using the vehicle of a Brezhnev interview in *Pravda* solely on the topic of Lebanon, Moscow ensured that its views would get a wide audience. Brezhnev's warning against the use of US peacekeeping forces differs from his warning in a letter of 7 July to President Reagan in that how he proposes an alternative solution--a disengagement supervised by UN forces.

As in his letter, however, Brezhnev's failure to follow up the warning with threatened counteraction or to repeat earlier assertions that the USSR's interests are at stake implicitly acknowledged Moscow's limited influence in this situation. His defense of Soviet policy toward the crisis and comment about Arab disunity appeared designed to deflect the widespread Arab criticism that the USSR has been passive in the face of the Israeli invasion.

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MEXICO: Final Election Results

//President-elect de la Madrid's solid victory earlier this month will help him begin his administration next December on a strong note.// []

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Final official returns announced this week give de la Madrid almost 17 million votes, over 74 percent of the turnout. This surpassed President Lopez Portillo's tally in 1976 and is regarded as an important measure of the ruling party's continued popular acceptance. []

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The extremely high turnout, 75 percent of the 32 million registered voters, exceeded the party's most optimistic expectations. It largely resulted from a massive "get out the vote" campaign. []

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The center-right National Action Party, the largest opposition group, placed second with 16 percent and won about 50 of 400 seats in the Chamber of Deputies. Despite a major effort, the Communist-dominated Unified Socialist Party tallied under 4 percent. It won less than 20 seats and failed to improve its relative standing among opposition parties. []

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Comment: The turnout spared the government the choice of damaging its credibility through massive vote manipulation or accepting the stigma of a poor electoral performance. []

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De la Madrid, who reportedly is better at organizing and behind-the-scenes activities than at campaigning, will now concentrate on assembling his administration and planning policies. He will have to deal with some particularly tough economic problems. []

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CUBA-USSR: Air Defense Improvements

[redacted] Cuba has received a more advanced interceptor version of the MIG-23 fighter and improved radar-guided air-to-air missiles from the USSR. One B-model MIG-23 aircraft and two of the new Apex missiles were seen at San Antonio de Los Banos airfield near Havana. The B-model has a limited look-down, shoot-down capability. It also can carry two Apex missiles with the capability of hitting targets head-on at more than twice the range of missiles previously in the Cuban inventory.//[redacted]

Comment: [redacted]

[redacted] six additional aircraft--possibly B-models--may have been delivered since late June. Havana may now have as many as 40 MIG-23s, including 10 to 12 ground attack variants delivered in 1978. A limited number of E-model interceptors also may have been delivered.//[redacted]

EC-US: Trade Actions Authorized

//The EC foreign ministers concluded their two-day meeting in Brussels yesterday by stating their willingness to attempt one last negotiation with the US on the question of subsidized EC steel exports. Commission leaders returning from consultations in Washington over the weekend had characterized US foreign economic policy as incoherent and uncompromising in their report. The foreign ministers also directed the Commission to ask the GATT Council today for authority to impose up to \$3 billion in duties on imports from the US as compensation for alleged illegal US subsidies granted under the Domestic International Sales Corporation program.//[redacted]

Comment: //The Commissioners' report and the Council's statement reflect the EC's frustration over the deterioration of commercial relations between the EC and the US. If this last-ditch effort to ameliorate the steel problem fails, the EC probably will challenge US trade practices within the GATT and take further retaliatory steps. [redacted]

[redacted]

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SOUTH AFRICA - SWAZILAND: Transfer of Black Areas

Strong opposition is developing among South African blacks to Pretoria's recently announced plan to transfer to Swaziland some "homeland" territories inhabited entirely by blacks. Leaders of the affected Kangwane and KwaZulu homelands believe the real aim of the government in making the homelands "independent" or transferring them is to create an all-white South Africa. They are suing in the Federal Supreme Court to prevent the transfer. One leader is organizing a protest demonstration for 31 July and has warned that his political organization will seek cooperation with the insurgent African National Congress if Pretoria persists.

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Comment: The transfer would relieve South Africa of responsibility for some resource-poor territories, and it might be used as a precedent to turn over other homelands to Botswana and Lesotho as well as to Swaziland. It also would enlarge the buffer zone between South Africa and ANC guerrillas operating out of Mozambique. Even a hands-off policy by the US on the issue would be condemned by African countries as endorsing Pretoria's policies toward South African blacks.

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BANGLADESH: Government's Problems

//The political situation remains unsettled four months after a bloodless coup installed General Ershad as chief martial law administrator. [REDACTED]

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[REDACTED] the new government is plagued by the same corruption and disunity that led to the downfall of the previous regime. Discipline in the military is poor, and rumors of coup plotting by dissatisfied elements are frequent. Revelations of questionable financial dealings by Ershad are threatening his credibility.// [REDACTED]

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Comment: //Allegations of corrupt practices by Ershad will erode his already fragile political base and may eventually encourage disenchanted elements in the military to attempt another coup.// [REDACTED]

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SPECIAL ANALYSIS

IRAN-IRAQ: Possible Outcomes of the Conflict

//Iran's invasion of Iraq was intended to set in motion fundamental changes, first in Iraq and eventually throughout the entire Persian Gulf region. Although the results of the current fighting are not yet certain, three possible outcomes are: an Iranian victory resulting in Iraqi President Saddam Hussein's replacement by an Islamic regime subservient to Tehran; an Iranian drive to the eastern bank of the Shatt al Arab that fails to bring down Saddam; and a situation in which the Iraqis hold the Iranians to limited gains at the border with a drawn-out conflict, again with Saddam remaining in power.//

//An Iranian victory would fundamentally reorder political relationships in the region. The establishment in Baghdad of an Islamic regime subservient to Iran would feed Tehran's ambitions throughout the Middle East. Iran would at a minimum expect the Persian Gulf states to accommodate its views.//

//The Persian Gulf states in particular would face a basic choice: appease Iran or seek closer security ties to the US. They probably would be divided in their response. Several would try to pursue both courses simultaneously.//

//Saudi Arabia, Bahrain, and Oman probably would seek a public US pledge to defend them against Iran and would want more military aid from Jordan and Egypt. Kuwait, Qatar, and the United Arab Emirates would be likely to accommodate the new Tehran-Baghdad axis and would project a more radical, anti-US image.//

//Those countries with large Shia communities, particularly Bahrain with its Shia majority, could face serious unrest. In any event, Islamic fundamentalists throughout the Persian Gulf region--both Shia and Sunni--would push harder for Islamic reforms.//

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//The alliance among Iran, Syria, and Libya probably would break up. The Syrians and Libyans oppose Arab Iraq coming under the control of the Persians.//

//The Soviets would face a setback in the region. They would be concerned about the impact of spreading Islamic fundamentalism on their own large Muslim population. They also would be worried about any spread of Iran's anti-Soviet views.//

//Nevertheless, the USSR would follow a policy toward Iraq similar to the one it now pursues with Iran. It would promote good relations, encourage anti-Western sentiment, and covertly support the ethnic minorities and local Communists. Although Moscow also would try to keep Iraq dependent on Soviet weapons, Iran would not be likely to permit large-scale rearmament of an Iraqi military.//

Limited Iranian Success

//An Iranian drive to the Shatt al Arab opposite Al Basrah probably would not bring down Saddam. This would leave Tehran with a choice between either digging in and hoping for Saddam's eventual ouster or renewing its offensive and risking an overextension and a backlash at home over high casualties.//

//Those in Tehran arguing for a more cautious policy probably would be strengthened. They would first point out that Iran had shown its willingness to use military force for political and ideological ends, and then claim a "victory" and call for negotiations that would yield reparations.//

//Saddam would gain some time, but his staying power would depend on two factors. If the Iraqi Army were crippled by Iran's advance, he would have no military options and probably would be ousted. If the Iraqis split along religious lines, the ruling Sunnis would be likely to move against him, hoping to appease Iran and arrange a settlement.//

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//The concerns of Persian Gulf and other moderate Arabs would be eased if the Iranians bogged down at Al Basrah. They would continue to support Saddam as the best counterweight to Iran. At the same time, they would seek ways to end the war.//

//The Syrians, however, want Saddam out. They probably would increase efforts to bring a pro-Syrian Ba'thist regime to power in Iraq.//

//The Soviets would continue to profess neutrality in public and ship arms to both sides.//

An Iranian "Defeat"

//If the Iraqis hold off the Iranians at the border and Saddam stays in power, the Persian Gulf Arabs' fears of a triumphant Iran marching at will against Iraq would disappear. Moderate Arab regimes generally would be encouraged by the Iraqi "victory" and would be likely to increase support for Saddam. Ayatollah Khomeini's standing among Shias in the region would be reduced.//

//Tehran's failure would produce Iranian frustration, increasing the risk that Iran would lash out against new targets, including one or more Persian Gulf states. Kuwait, a major conduit for transshipment of supplies to Iraq, would be the most likely initial target. The Turkish pipeline, Iraq's only outlet for oil exports, would be another.//

//Tehran probably would conduct air raids on Baghdad to force relocation or postponement of the nonaligned summit scheduled there for September. Iran would be less likely to strike Saudi Arabia, Iraq's most important financial backer and a major port of entry for Iraqi-bound cargo.//

//Tehran almost certainly would not consider a peaceful settlement with the regime in Baghdad. Although the possibility of instability in Iraq would be minimized, Iran would continue its efforts to subvert the Iraqi regime.//

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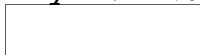
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//There would be little change in Soviet policy toward the war. Moscow would continue to profess neutrality in public and ship arms to both sides.//



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//An Iranian "defeat" could become important psychologically in Tehran, because Khomeini's string of victories would be broken. His clear stand in favor of the invasion would limit any infighting among the clerics, however, who would try to divert domestic attention from the defeat.//



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